Editorial Essay

Rania Labaki and Michael J. Mustafa*

The Family Effect: A Compass for Research on Heterogeneity of Family Businesses in Embedded Contexts

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Abstract: We highlight recent research on the intertwinement of family, entrepreneurship, and strategy with a particular focus on entrepreneurial and business families. Our efforts lead us to untangle the nodal points by suggesting an interpretative framework of their main dimensions, motivators, and impacts. The family logic transcends entrepreneurial, strategic, and psychological decisions and dimensions by shaping in different ways their processes from the motivations to the outcomes. It appears, therefore, as an essential unit of study that ought to inform future research of family businesses in embedded contexts. Towards this direction, we suggest a series of theoretical and empirical route(s) along with methodological recommendations.

Keywords: business families; entrepreneurial families; family business; family business heterogeneity

1 Introduction

In recent years, family business heterogeneity has become a hot topic of research. Albeit the manifestation of this rising interest through calls and emerging studies (e.g. Dibrell and Memili 2019; Jaskiewicz and Dyer 2017; Labaki and D’Allura 2021), the quest to understand the sources of heterogeneity across temporal (time and space) dimensions has still a long way to go.

Scholars increasingly agree on the distinct role played by the family system and the importance of putting the family in the centre of research (Dyer 2003, 2006, 2018; Zachary 2011). The family remains, however, a complex unit of analysis, especially

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Rania Labaki, EDHEC Business School, EDHEC Family Business Chair, 24, Avenue Gustave Delory CS 50411, 59057 Roubaix Cedex 1, France, E-mail: Rania.LABAKI@edhec.edu
given its deeply rooted emotional ramifications (Labaki, Michael-Tsabari, and Zachary 2013). A fine-grained analysis of the family inclusive of these dimensions is still limited despite encouraging recent developments, namely through two special issues of Entrepreneurship Research Journal (e.g. Randerson and Radu-Lefebvre 2021; Yezza, Chabaud, and Calabro 2021) and Long Range Planning (e.g. Barredy and Caspersz 2022; Brundin and Languilaire 2022).

Further development still needs scholars to complement and refine the analysis by addressing the diversity of multi-layered contexts in which entrepreneurial and business families evolve. Family businesses are, in fact, embedded in multiple contexts which may define or condition their behavior to be unique (Krueger et al. 2021). The connection between contexts and heterogeneity is determined by the way multi-layered and permeable contexts – the micro-, meso-, and macro – constrain and stimulate family business activities then impact their performance (Krueger et al. 2021). Examples include how family entrepreneurial mindsets, family emotions, and family goals reflect the specificities of family businesses (Krueger et al. 2021). Analyzing the family may benefit from an embeddedness perspective of contexts which are still yet to be fully uncovered by research.

Inspired by the centrality of the family in entrepreneurial and family businesses (Heck et al. 2008; Zachary 2011) and by the embeddedness framework of contexts (Krueger et al. 2021), we propose an initial analysis of the contributions of this Special Issue along these dimensions. We suggest an interpretative framework of the family businesses heterogeneity, highlighting their specificities, their motivations and impacts. While the red thread appears to be inevitably the family, we identify three major areas of interest that inform and complement our understanding: entrepreneurial, strategic, and psychological. We then suggest a series of propositions as research avenues to contribute to heterogeneity in family businesses.

2 Addressing Heterogeneity of Family Businesses: The Relevance of Entrepreneurial, Strategic, and Psychological Dimensions

The articles of this Special Issue revolved around three main topical areas of investigation: (1) Entrepreneurship, (2) Strategic and (3) Psychological. These areas were studied in various contexts and through different conceptual perspectives and connected to antecedents, moderators, or mediators, in relation with different outcomes. We organise the contributions of the articles of the special issue into an interpretative framework presented in Figure 1.

Table 1 presents a summary of the articles, highlighting the research question(s), the research method(s), the context level(s) of analysis, the main results, and the
family effect. Taking an outward view, we combine in this essay insights from the literature at large with those of the article of this Issue.

2.1 The Entrepreneurial Dimension

An important, yet largely underexplored topic in the field of family business, is whether and how family business contexts exert a positive or negative effect on the entrepreneurial intentions, mindsets, and activities of family members (Jaskiewicz et al. 2017; Krueger et al. 2021; Michael-Tsabari, Labaki, and Zachary 2014; Minola et al. 2016; Nordqvist and Melin 2010).

Conventional wisdom and an increasing body of evidence suggest that growing up in an enterprising family and being exposed to firm-specific family business experience certainly shapes the entrepreneurial intentions, role identities, and capabilities of family members (Canovi et al. 2022; Criaco et al. 2017; Pittino, Visintin, and Lauto 2018; Zellweger, Sieger, and Halter 2011). Since family members may be overly exposed to entrepreneurial opportunities, simply because of their kin association with a family enterprise, they may be in a better position to undertake forms of emergent entrepreneurship by creating a new firm (Sieger and Minola 2017). However, several factors may stand against the development of entrepreneurial career intentions such as the family's available financial support (Sieger and Minola 2017) and the perceived parents' performance in entrepreneurship due to upward social comparison mechanisms (Criaco et al. 2017).
<table>
<thead>
<tr>
<th>Authors</th>
<th>Research question(s)</th>
<th>Research method and context level(s) of analysis</th>
<th>Findings</th>
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<tbody>
<tr>
<td>Dvouletý and Bögenhold (2023)</td>
<td>What individual and family-related factors influence hybrid entrepreneurial activity?</td>
<td>Quantitative study: Survey dataset of 4046 participants from European and affiliate countries extracted from the 2017 Labour Force Survey. Levels of analysis: Micro (individuals and family) and Meso (business).</td>
<td>Hybrid entrepreneurs are a relatively heterogeneous group mostly operating in the agricultural sector and living in rural area. Additionally, hybrid entrepreneurs tend to have, on average, higher levels of education, but this finding relates mainly to those being involved in non-agricultural activities. Women are also less likely to pursue hybrid entrepreneurship.</td>
<td>Hybrid entrepreneurship occurs less likely among women, especially those associated with caring for children below age 15.</td>
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<td>Sorama and Joensuu-Salo (2023)</td>
<td>How different dimensions of entrepreneurial orientation (EO) affect the growth and performance of SMEs in the short term in a rapidly changing business environment?</td>
<td>Quantitative study: Questionnaires to 260 Finish SMEs, 172 of which were family enterprises. Levels of analysis: Micro (family) and Meso (business).</td>
<td>Analysis shows that the innovativeness and risk taking dimensions of EO have an effect on growth but not on performance.</td>
<td>From a socio-emotional wealth perspective (SEW), family firm owners who are willing to take risks in rapidly changing environments are more likely to grow. This contradicts some previous findings in the literature that founded risk-taking is not to be associated with family business growth.</td>
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<td>Yu (2023)</td>
<td>How does the purchasing of financial products (FPs) influence the innovation strategy of family businesses (FBs).</td>
<td>Quantitative study: Panel data of Chinese family firms listed in the A-share market between 2014 and 2018. Levels of analysis: Micro (family, ownership),</td>
<td>Analysis shows that purchasing FPs significantly increase the design patents of FBs. Specifically, the effect of purchasing FPs on innovation outputs is governed by institutional ownership, government subsidy, and R&amp;D personnel ratio.</td>
<td>Family business tendency for risk aversion plays an important role in their technological innovation strategy. Additionally, the owning family's perception of risk is shaped by their perceptions of financial</td>
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<td>Lobo et al. (2023)</td>
<td>How family firm resources, capabilities and market orientation influences their internationalisation performance?</td>
<td>Meso (business) and Macro (government). Quantitative study: Questionnaires to 212 internationally active family-SMEs from Portugal. Levels of analysis: Micro (family), Meso (business) and Macro (market).</td>
<td>Proactivity (i.e. internationalisation motivations), a network of contacts (i.e. resources) and assuming risks, mitigated by knowledge about the external market (i.e. capabilities), can enable the achievement of superior international performance for family firms.</td>
<td>resources and the external institutional environment. Family firms with a stronger internationalisation motivation are better able to leverage the effects of their resources (networks) and capabilities in international markets.</td>
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<td>Doucet, Requejo, and Suárez-González (2023)</td>
<td>Does heterogeneity in organisational goals leads to different diversification behaviours in family firms?</td>
<td>Quantitative study: Survey and archival data of 988 family-SMEs from Spain. Levels of analysis: Micro (family) and Meso (business).</td>
<td>Family SMEs that pursue nonfinancial (financial) goals exhibit lower (higher) probability of extending the boundaries of the firm to new product and/or market domains.</td>
<td>Only when facing threats, family SMEs that prioritise financial goals exacerbate their propensity to diversify, while increased vulnerability leads to a lower probability of adopting diversification decisions among family SMEs with nonfinancial goals.</td>
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<td>Mustafa, Labaki, and Henssen (2023)</td>
<td>How can scholars address the concept of Psychological Ownership (PO)?</td>
<td>Conceptual study: Literature review and theoretical argument.</td>
<td>Research on psychological ownership in family firms remains limited which leads to research avenues towards how this concept can advance our understanding of family firm heterogeneity.</td>
<td>Psychological ownership can be viewed as a powerful differentiator among family firms themselves and family and non-family members per se, both individual and collective. Ideally, psychological ownership should not be viewed as static, but as evolutionary and dynamic in nature.</td>
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<td>Danes, Zachary, and Balabram (2023)</td>
<td>How to reignite the direction of research about entrepreneurship in family firms through a more in-depth investigation of the family and family/business interface sub-systems' contribution to entrepreneurship and business sub-system achievements and sustainability?</td>
<td>Conceptual study: Literature review and theoretical argument.</td>
<td>The Sustainable Family Firm Theory (SFFT) and the Fundamental Interpersonal Relationship Orientation Theory (FFFT) can offer a fuller recognition and representation of a family firm's organizational and relational realities compared to existing theoretical approaches.</td>
<td>Taking a suprasystem theoretical and methodological approach to family firm research while utilizing the family definition helps to address many of the needs identified in the family firm literature.</td>
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<td>Gaur et al. (2023)</td>
<td>Which and how contextual factors impact the development of entrepreneurial intentions in younger members of middle-class families?</td>
<td>Qualitative study: Ethnographic study of 32 family members from six families from New Delhi and the NCR (National Capital Region), India. Levels of context: Micro (family) Macro (social image)</td>
<td>The study identifies critical familial influences, such as the need to maintain family harmony, to conform to a social image along with the presence of feminist values, impact the development of entrepreneurial intentions.</td>
<td>The family has a significant influence on the development of entrepreneurial intentions which could be negative or positive. In particular, the young adults are influenced by the need to maintain family harmony through generational congruence and social persuasion. This influence contributes to encouraging or impeding their intentions to engage in an entrepreneurial career.</td>
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Extending those findings, this Special Issue features an ethnographic study of the career choices of young family members from middle-class families in India. Accounting for contextual factors, Gaur et al. (2023) revealed that these members’ strong identification with the family matters. The background of the families and the presence of a wider entrepreneurial circle tend to influence their perception of an entrepreneurial career and the level of support, which in turn has repercussions on the young adults choices. In particular, generational congruence to maintain harmony and the pressure to conform to a social image can either inhibit or foster the development of their entrepreneurial intentions. Adopting a novel approach by studying hybrid entrepreneurs, Dvouletý and Bögenhold (2023) found how family structures and the need to maintain them can hamper the decision of women to engage in entrepreneurial activity. Drawing on sample of 4046 individuals across 30 European countries, Dvouletý and Bögenhold (2023) showed how having caring responsibilities for children can dampen the entrepreneurial activities of women. Accordingly, the study of Dvouletý and Bögenhold (2023) resonates strongly with recent calls by Maseda et al. (2022) to better understand how family firm environments and dynamics influence the uniqueness, recognition, and contributions of female family members. By embracing a contextual lens, they also respond to recent calls to explore entrepreneurship in rural areas – also referred to as agri-entrepreneurs – (Labaki, Cherni, and Sauvéé 2022). Their contribution adds to recent entrepreneurship studies showing similar gender capabilities (skills, ability to detect opportunities, and networks) to engage in corporate entrepreneurship and explaining gender differences by the influence of country-level conditions (gender equality levels, culture, and social norms) based on a sample of employees from 50 countries (Ruiz, Amorós, and Guerrero 2023).

Moving from intention to implementation, an important outcome of entrepreneurial activities pertains to performance. The long and controversial debate about whether family business performance is superior to that of non-family businesses (Wagner et al. 2015) is still ongoing (Reddy and Wellalage 2023). Looking into the heterogeneity of family businesses through different levels of family ownership is, however, increasingly allowing researchers to debunk existing mixed results. A quadratic inverse-U relationship has been recently suggested between family ownership and the performance of entrepreneurial firms when moderated by the presence of family management and external blockholding (Reddy and Wellalage 2023).

Extending past research, the articles by Sorama and Joensuu-Salo (2023) seek to build onto such literature by exploring the effects of family and family ownership on family business performance and growth in both domestic and international markets. The concept of entrepreneurial orientation (EO) has been employed in studying family business growth (Casillas and Moreno 2010). However, evidence regarding this relationship remains inconsistent (Stenholm, Pukkinen, and Heinonen 2016). In trying to resolve this tension, Sorama and Joensuu-Salo (2023) examined the effects of two dimensions of EO (innovativeness and risk taking) on performance and growth.
of 260 family and non-family SMEs. Their findings showed that the innovativeness and risk-taking dimensions of EO can have differential relationships with firm growth and performance. Specifically, they suggested that family business owners who are willing to take risks in rapidly changing environments are more likely to see growth in their enterprises.

2.2 The Strategic Dimension

Prior research has well recognized the fact that a mixture of family, ownership, and management can manifest itself in unique behaviour and decision-making process (Palma-Ruiz, Barros-Contreras, and Gnan 2020). Among strategic decisions, a large number of studies have explored how the family factors can affect both internationalization and its performance in family businesses. However these remain mixed to date (Dawson, Balderrama, and Sandig 2020; Graves and Shan 2014; Stadler et al. 2018).

Drawing on a resource-based view of the firm, the article of Lobo et al. (2023) investigated how the family business resources, capabilities and market orientation influence internationalisation performance. Using a sample of 988 family-SMEs from Spain, Lobo et al. (2023) found that not only do resources and capabilities return a positive impact on internationalisation motivations of family firms, but also the combination of resources and capabilities and internationalisation motivations can positively influence their international performance. Lobo et al. (2023) provide a novel contribution to the family business heterogeneity literature when it comes to internationalization by considering different levels of contexts – from the micro, the meso to the macro –. They also highlighted the need for scholars to consider more deeply the owning family’s internationalisation motivations when analysing antecedents of internationalisation performance.

In addition to the family, a stakeholders’ view has been considered as valuable to our understanding of strategic decisions in family businesses. Strategic decision-making in family business has been identified as involving family managers, family members as well as non-family managers (De Massis et al. 2015; Kallmuenzer, Hora, and Peters 2018; Lazzarotti and Pellegrini 2015). It can be of individual or collective nature, based on key stakeholders’ expectations and potential actions along with the need to balance economic and non-economic goals (Vazquez 2018; Zellweger and Nason 2008). Along similar lines, the next two studies by Yu (2023) and Doucet, Requejo, and Suárez-González (2023) explored how both the pursuit of financial and non-financial considerations can impact their strategic decisions, relative to innovation and to diversification.

Drawing on a select sample, listed on the A-shares market in China, Yu (2023) examined how the family business willingness and ability to purchase financial
products influence their innovation strategies. Specifically, after purchasing financial products Yu (2023) showed the design patents of family firms increase significantly, while R&D investment, invention patents and utility patents do not change significantly. Moreover, the effect of purchasing financial products on design patents is governed by institutional ownership, government subsidy, and R&D personnel ratio. Institutional ownership positively moderates the relationship between purchasing financial products and design patents, but government subsidy and R&D personnel ratio negatively moderate the relationship. Broadly, the study by Yu (2023) indicated that Chinese family business are sensitive to technological innovation risks when the potential resources at their disposal are insufficient and that such sensitivities may prompt family business to reduce the purchase of financial products and change their direction of technological innovation towards higher quality innovation. By addressing the interconnections between the meso and macro levels of context, the author contributes to our understanding of heterogeneity of family businesses.

It is widely accepted in the literature that family SMEs’ diversification decisions are negatively affected by the pursuit of noneconomic goals, as those strategies collide with the achievement of such goals—due to diluted family influence that derives from the greater involvement of both external expertise and capital (Gomez-Mejia, Makri, and Kintana 2010). Adopting a mixed-gamble approach, Doucet, Requejo, and Suárez-González (2023) studied 988 Spanish family-SMEs by contemplating the possibility that the decision to expand into new areas of activity could also generate SEW gains in some situations. Specifically, their findings showed that Spanish family SMEs which prioritised nonfinancial goals alter their propensity to undertake diversification decisions. In other words, Spanish family SMEs that prioritise nonfinancial goals seem to exhibit an “irrational” risk aversion. As such, they inform us about heterogeneous strategic behavior of family businesses relative to diversification at the meso level and which are rooted in family logics at the micro level of context.

2.3 The Psychological Dimension

Calls for including the psychological dimensions in entrepreneurship and family business research have been proliferating in the past years (Humphrey 2013; Humphrey et al. 2021; Javadian et al. 2022; Labaki 2020). Scholars have seized this opportunity to explore the facets of heterogeneity of entrepreneurs and family businesses through concepts derived and or adapted from the psychology and organizational behaviour literatures – among others – as determinants and outcomes of the decision-making process. This included their entrepreneurial role in terms of transformation of latent entrepreneurs into nascent entrepreneurs (Hatak and Snellman 2017) as well as their role in stimulating key family business
stakeholders, such as the owners to engage in responsible business practices (Bernhard and Labaki 2021), the Top Management Teams to contribute to decisions conducive to continuity (D’Allura 2019) and the Top Governance Teams to act as stewards of the family enterprise towards harmony and performance (Labaki and Feliu 2023). In particular, emphasis on family owners’ emotions brought a finer understanding of strategic decisions such as the divestment and valuation of business entities in different archetypes of family businesses (Labaki and Hirigoyen 2020). Additionally, the management and governance of emotions were highlighted as heterogenous relative to the emotional level of interaction between the family, the ownership and the business (Labaki and D’Allura 2021; Randerson and Radu-Lefebvre 2021).

Surfing on this promising trend, Mustafa, Labaki, and Henssen (2023) offered an analysis of the family business heterogeneity from an ownership perspective. Building on a literature review, they chose to focus on the concept of psychological ownership and explore its dynamics, processes, and implications. Among their suggestions, they recommended accounting for the diversity of targets of psychological ownership, its connections with various governance systems, and embracing different levels of analysis (individual and collective). As such, they considered the embedded contexts of the key family player(s) with an impact on the meso and macro levels.

Taking it one step further, Danes, Zachary, and Balabram (2023) elevated the family as an object of study that manifests itself into the supra-system, that is a reflection not only of organizational but also relational realities. Embeddedness of context proves again as an interesting grid of analysis as the authors emphasize the salience of the family given the interconnectedness and interdependencies of family, business, and family/business interface subsystems.

3 Future Theoretical, Empirical and Methodological Avenues

The articles in this special issue all highlight how and why both time and space are critical to understanding heterogeneity in family business. More importantly though, the articles emphasize the uniqueness of the family system, whether influencing entrepreneurship or family businesses and why future researchers need to continue to place it within the appropriate context front-and-centre as part of future research (Dyer 2018).

Based on the interpretative framework developed earlier (see Figure 1) we suggest the following research agenda as a way to inspire future research in exploring the connections between the family effect, contexts and heterogeneity (see Table 2).
Table 2: Agenda for future research on family business heterogeneity in embedded contexts.

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<tr>
<th>Dimensions</th>
<th>Context (time and space)</th>
<th>Future research questions</th>
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<tbody>
<tr>
<td>Entrepreneurial</td>
<td>Dynamic nature of family relations</td>
<td>How does intra-family relations influence the decision of future generations to join the family business? How do the future generations’ perceptions of family dynamics and business performance influence their decisions about the nature of entrepreneurial activities to engage in?</td>
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<td>Evolution of entrepreneurial mindsets</td>
<td>How and when do entrepreneurial families change family logics when operating in new markets or contexts? How does crisis inform the entrepreneurial attitudes and mindsets of enterprising families?</td>
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<td>Interactions between the regulatory, normative and cognitive dimensions and family systems</td>
<td>In which economic and social contexts is family ownership most beneficial for entrepreneurship and the subsequent performance? Under what conditions do societal norms and values either reinforce or dis-enforce existing family business logics?</td>
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<tr>
<td>Strategic</td>
<td>Changing nature of family essence</td>
<td>How does family business restructuring in response to crises influence family involvement and the connection of the family with the wider community? How does the owning families’ awareness of their capabilities influence their motivation to deploy or to develop their family resources? How do family businesses change their type of innovations to match the changes in the environment (such as climate change and regulations) that could be aligned or mis-aligned with their family values?</td>
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<td>Evolution of family economic and non-economic goals</td>
<td>How and when do family economic and non-economic goals evolve in response to changes in economic and political systems? How does managing the contradiction between a long-term-oriented investment strategy and a loss-aversion strategy for socioemotional wealth (SEW) influence family business diversification decisions? How do family business innovation strategies contribute to balancing the SEW and financial wealth objectives?</td>
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The articles in this Special Issue contributed to addressing the limitations of most entrepreneurship research which tend to oversimplify context (Krueger et al. 2021) by creating knowledge which accounts for the embedded contexts’ interactions and nuances across cultures and economies including China, Finland, India, Portugal, Spain, and other European countries.

The authors built on various research methods which we encourage future studies to use and combine while being based on and extending the articles’ findings and the suggested research agenda. We recommend scholars to use qualitative methods such as ethnographies and archival data which are less commonly used to address heterogeneity while having the potential to account for them in a more fine-grained perspective. As for the quantitative methods, the use of surveys by questionnaires would benefit from bridging constructs and measurements from entrepreneurship and family business with those of other disciplines whenever applicable (psychology, sociology, family science in particular).
4 Conclusion

Family business scholars are increasingly interested in understanding how heterogeneity in family business emerges and how such heterogeneity not only differentiates family businesses from non-family businesses, but also among family businesses themselves. Particularly lacking though is research considering how heterogeneity in family business occurs across time and space. Building on the articles contained in this special issue and drawing on embedded contexts theorizing (Krueger et al. 2021), we develop an interpretative framework of family business heterogeneity along three major areas of interest: entrepreneurial, strategic, and psychological. In highlighting family business specificities, their motivations and impacts, our interpretative framework takes an important step in the family business literature towards informing and complementing our understanding regarding the sources of heterogeneity in family business. Our article therefore provides an initial stepping stone to encourage future researchers to consider heterogeneity issues more deeply.

References


